

## SPAC & Forth: Bankruptcy as the Next SPAC Hunting Ground

There is a part of the market that rarely gets much attention, but consistently produces opportunity.

It shows up quietly, usually after things have gone wrong.

Companies emerge from Chapter 11 with new ownership, cleaner balance sheets, and very little fanfare. Debt holders become equity holders, often reluctantly. There is no roadshow, no marketing, no real attempt to tell the story. Just a new stock trading with a natural seller base from day one.

That dynamic has always been one of the more reliable setups in special situations investing. It is straight out of the *You Can Be a Stock Market Genius* playbook. Forced sellers, limited coverage, and a reset capital structure tend to create mispricing.

What is interesting now is how naturally this connects to SPACs.

At their core, SPACs are not just about taking companies public. They are a tool for situations where traditional IPOs do not quite fit. Complexity, lack of visibility, and unusual ownership structures are exactly the cases where a structured, marketed process can make a difference.

Post-reorganization equities fit that description almost perfectly.

A company can come out of bankruptcy fundamentally healthier, with debt wiped or significantly reduced, but still trade poorly because the wrong investors own it. Creditors are not long-term equity holders. They are looking to exit. Liquidity is thin. Research coverage is minimal. Price discovery is messy.

A SPAC, done properly, can change that dynamic. It introduces a marketing process, broadens the investor base, and reframes the story. In some ways, it turns what would have been a technical listing into something closer to a real IPO.

The timing here may not be coincidental.

Private credit has become one of the dominant forces in capital markets, funding increasingly levered businesses at relatively tight spreads. If that cycle starts to turn, even modestly, it is reasonable to expect more restructurings and more debt-for-equity conversions. That, in turn, creates a pipeline of companies emerging with cleaner balance sheets but no natural shareholder base.

Distressed funds are already preparing for that.

The key, as always, is selectivity.

Not every bankruptcy produces opportunity. The distinction between a good business with a bad balance sheet and a bad business with a bad balance sheet matters more here than anywhere else. If the underlying industry is structurally impaired, no amount of financial engineering will fix it. We have seen that movie before in parts of energy, retail, and other melting ice cube sectors.

Even within better situations, the details matter. Did the reorganization actually fix the balance sheet, or just postpone the problem? Are there residual liabilities, lease burdens, or other constraints that limit equity value? The disclosure statement and plan of reorganization tend to hold the answers, but they are not widely read.

Which is precisely why these situations can be attractive.

They are complex, underfollowed, and often misunderstood.

That is also what makes them a natural fit for SPACs, at least in certain cases. Not as a blanket strategy, but as a targeted solution. A way to bring structure, capital, and visibility to companies that might otherwise drift in the public markets.

We are not fully there yet.

But if the private credit cycle produces what many expect, this is a corner of the market that could become increasingly relevant.

Another example of special situations meeting special situations.

And one that is worth watching closely.

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